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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554Federal Communications Commission
Office of Secretary

In the Matter of)	
)	
Broadband PCS C and F Block)	WT Docket 97-82
Installment Payment Issues)	DA 97-679

To: The Wireless Telecommunications Bureau

COMMENTS OF MERETEL COMMUNICATIONS LIMITED PARTNERSHIP

Meretel Communications Limited Partnership ("Meretel"), in response to the Public Notice issued by the Wireless Telecommunications Bureau ("WTB") seeking comments on proposals to modify installment payment plans for C Block and F Block personal communications service ("PCS") licensees,¹ hereby submits comments in support of modifying existing installment payment plan requirements for all licensees. Meretel submits that changed circumstances since adoption of the details of the installment payment plan require its modification, and that such modification will serve the public interest by promoting competition. In support of this position, Meretel shows the following:

I. Introduction

Meretel is a C Block licensee, authorized to serve approximately 1,873,000 people in the Southeastern United States.²

¹/ Public Notice, "Wireless Telecommunications Bureau Seeks Comment on Broadband PCS C and F Block Installment Payment Issues," WT Docket 97-82, DA 97-679 (June 2, 1997) (the "Public Notice").

²/ Meretel holds of the C-Block Personal Communications Service ("PCS") licenses for Markets B034 (Beaumont-Port Arthur, TX), B180 (Hammond, LA), B236 (Lafayette-New Iberia, LA), and B265 (Lufkin-Nacagdoches, TX) and Market B032 (Baton Rouge, LA).

In developing and implementing its business plan, Meretel, along with the majority of auction winners, recognized and incorporated both the Commission's requirements and the principles of sound financial design. Accordingly, Meretel is fully prepared to comply with current installment payment obligations. Meretel recognizes, however, that current realities of the financial marketplace render the process of capital formation more difficult and, accordingly, submit that all licensees, and the public, would benefit from a modification of installment payment plan obligations which acknowledge these changed circumstances. Nonetheless, having adopted and worked within the confines of the Commission's Rules and sound financial principles, Meretel is categorically opposed to any modification which is merely a bail-out for those licensees which ignored these requirements at their own peril.

Furthermore, Meretel submits that the principles of fairness demand that any modifications adopted in the installment payment schedules should apply equally to all licensees. The suggestion that modifications should be implemented on a case-by-case, individual waiver basis is diametrically opposed to basic concepts of equity and fair dealing, and should be dismissed out of hand. Such an approach amounts to nothing short of rewarding those licensees who approached the auction as a high-stakes gambling venture rather than as a business, the ultimate purpose of which is to provide service to the public. Adopting case-by-case modifications to existing financial obligations would unfairly penalize the licensees that followed the Commission's Rules and

participated in the auction within their means. The grant of relief on an individualized basis would be tantamount to skewing the entire auction process.

Meretel also submits that implementation of payment plan modifications should accommodate existing business plans by allowing a choice among payment plans to suit the individual circumstances of each licensee. Accordingly, Meretel proposes that licensees chose from among the following plans:

1. Maintenance of the current payment schedule, with principal recalculated to reflect the average A/B Block auction price for each market; or
2. Without re-calculating principal, a three-year moratorium on interest payments, followed by three years of interest-only payments with principal payments amortized over the remainder of the license term.

Meretel submits that this plan will recognize current marketplace realities and better position C Block licensees to provide competitive service to the public.

II. Modification of the Installment Payment Plan is Consistent with the Purpose of the Rules and Marketplace Realities

In response to the Congressional mandate, the C Block auction rules were designed to promote the participation of small businesses in the provision of personal communications services.³ The installment payment plan was among those elements adopted by the Commission to assist small businesses in overcoming an

³ See, 47 U.S.C. § 309(j)(3)(B): auction rules should be designed with the objective of "promoting economic opportunity . . . by disseminating licenses among a wide variety of applicants, including small businesses"

identified impediment -- lack of access to the capital markets.⁴ The general outlines of the installment payment plan were adopted under the market conditions which existed at that time. These conditions have changed dramatically. Accordingly, it is appropriate to reevaluate the structure of the installment payment plan in light of these developments. In addition, because each licensee has already adopted and is in the process of implementing its business plan, it is also appropriate to provide a choice among alternative payment plans to fit each licensee's specific capital needs. In keeping with the principles of fairness and equity, this choice should be available to all licensees.

It is clear that the marketplace for wireless financing has shifted fundamentally since the adoption of installment payment rules. Wireless issues generally have eroded in value, and the significant increase in the auctioned price of C Block licenses as compared with the results of the A/B auction has affected negatively the market's perception of the viability of new licensees facing four established competitors. Early C Block defaults and current financial difficulties of major C Block licensees reinforce market cynicism. The perception of market value of the C Block spectrum was further eroded by the Commission announcement that additional wireless spectrum would be auctioned. These pressures on the public availability of financing for C Block licensees have also affected the private capital market. These

⁴/ In the Matter of Implementation of Section 309(j) of the Communications Act - Competitive Bidding: Second Report and Order, 9 FCC Rcd 2330, 2389 (1994).

changes clearly warrant reevaluation of the current repayment schedule to bolster confidence and improve the climate for investment in a capital-intensive industry to ensure the Commission's initial purpose -- the promotion of vigorous competition in the provision of PCS.

III. Meretel's Proposal

Although Meretel concurs with the general proposition that the installment payment plan requires modification, it adamantly opposes any ex post facto change in the fundamental structure of licensee eligibility. The Commission's rules regarding control and control group structure were designed to ensure that the recipients of the benefit are the class designated -- small businesses. Accordingly, it would be highly inappropriate and patently unfair to both expand the class of beneficiaries and potentially jeopardize the position of the beneficiaries within their own organizations. Moreover, the issue of foreign ownership should be determined within a more universal setting. Changes in licensee eligibility standards would penalize those licensees which complied with the Commission's rules and would amount to individualized accommodation of those entities which require rule changes to effect their business plans.

In recognition of the dramatic changes in market conditions, however, Meretel does support fairly aggressive modifications to the current installment payment plans. In addition, Meretel supports a flexible approach wherein licensees can choose the plan which best fits its expected needs for resort to the public and

private financial markets. Accordingly, Meretel proposes that licensees be allowed to chose from among the following:⁵

- A. Maintenance of the current payment schedule, with principal recalculated to reflect the average A/B Block auction price for each market.

In recognition of the distinct disadvantage which C Block licensees now bear in the capital markets, a significant reduction in debt obligation would be appropriate. This revision would better reflect the benefit the Commission intended to confer upon entrepreneurs.

- B. Without re-calculating principal, a three-year moratorium on interest payments, followed by three years of interest-only payments with principal payments amortized over the remainder of the license term.

For those licensees which have already funded or arranged for funding according to the existing payment schedule, some benefit should also be available. A brief moratorium would allow redirection of capital into construction efforts, improving the competitive position of these licensees. Interest should continue to accrue not only on the principal but also on any unpaid interest assessments.

IV. Conclusion

Meretel supports the general principle of reevaluating the current installment payment rules in light of current marketplace realities. Furthermore, Meretel submits that flexibility in repayment choices will promote the public interest in ensuring


^{5/} Meretel proposes that the choice from among financing options be held confidential by the Commission because the choice, having been made, will be competitively-sensitive information.

repayment choices will promote the public interest in ensuring healthy competition in the provision of services by financially viable competitors.

Respectfully submitted,

**NERETEL COMMUNICATIONS LIMITED
PARTNERSHIP**

By:

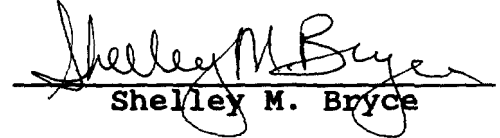

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June 23, 1997

CERTIFICATE OF SERVICE

I, Shelley M. Bryce, hereby certify that a copy of the foregoing "**Comments of Meretel Communications Limited Partnership**" was served on this 23rd day of June 1997, by hand delivery to the following parties:


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